

EXHIBIT 3

Sprout Social, Inc. NasdaqCM:SPT

FQ1 2020 Earnings Call Transcripts

Wednesday, May 06, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2020-		-FQ2 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.21)	NM	(0.15)	(0.56)	(0.43)
Revenue (mm)	29.16	▲4.73	30.78	128.51	166.08

Currency: USD

Consensus as of May-04-2020 4:08 AM GMT



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Call Participants

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Presentation

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Sprout Social First Quarter 2020 Earnings Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your speaker today to Jason Rechel, Head of Investor Relations. Thank you. Please go ahead, sir.

Jason Rechel

Head of Investor Relations

Thank you, operator, and welcome to Sprout Social's First Quarter 2020 Earnings Conference call. Like all of our employees and many of you, we're working from home this afternoon. We will be discussing the results announced in our press release issued after market close today. With me are Sprout Social's CEO, Justyn Howard; CFO, Joe Del Preto; and Senior Vice President of Global Sales, Ryan Barretto.

Please note that we will be providing more transparency into our business than normal today in an effort to help our investors and analysts better understand how our business is performing through this period of economic volatility. You should not expect us to continue with this level of granularity in the future, and such disclosures should be considered as onetime in nature.

Today's call will contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements concerning financial and business trends, our expected future business and financial performance and financial condition, our guidance for the second quarter of 2020 and the full year 2020 and can be identified by words such as expect, anticipate, intend, plan, believe, seek or will. These statements reflect our views as of today only, should not be relied upon as representing our views at any subsequent date, and we do not undertake any duty to update these statements.

Forward-looking statements address matters that are subject to risks and uncertainties that could cause actual results to differ materially. For a discussion of the risks and other important factors that could affect our actual results, including potential disruption from COVID-19, please refer to our annual report on Form 10-K filed with the Securities and Exchange Commission, our quarterly report 10-Q to be filed with the SEC and our other periodic filings with the SEC.

During the call, we will also discuss certain non-GAAP financial measures, which are not prepared in accordance with generally accepted accounting principles. A reconciliation of these non-GAAP financial measures to the most directly comparable GAAP financial measures is included in our earnings press release, which has been furnished to the SEC and is also available on our website at investors.sproutsocial.com.

And with that, let me turn the call over to Justyn. Justyn?

Justyn Russell Howard

CEO, President & Director

Thank you, Jason, and good afternoon, everyone. Thank you for joining us today.

The world has certainly changed since last time we were together, and we hope that you and your families are healthy and finding ways to make the best of this difficult situation. At Sprout, our first priority is the well-being of our people, our families, our communities and our customers. To that end, we began implementing precautions in February and moved fully to work from home across the company in early March. We're fortunate to have no reported cases of COVID within the Sprout organization, and we'll continue to employ policies that not only keep our team safe, but also reflect our commitment to the well-being of those around us.

I'm grateful that we have a team, customer base and business model that have allowed us to respond quickly to this crisis and adapt with minimal disruption as things have quickly evolved. We'll share a lot of detail today around the impact and trends we're seeing within our business and how the rest of the year may unfold for Sprout. But in short, our diverse customer base, agile team, strong culture and high-volume business model have allowed us to deliver a strong first quarter with healthy guidance into Q2 and an abundance of data to make thoughtful decisions as the crisis continues to evolve.

We're also seeing some really interesting trends emerge around the acceleration of digital adoption by brands with an increased reliance on social as a primary communication channel and many behavioral changes that we expect are likely to become permanent post-COVID.

As we'll discuss, there were certainly challenges in March and April and some that will remain to some degree for the foreseeable future. Many of our key operating metrics saw compression for a 2- to 3-week period beginning in mid-March, though many have recovered and are trending that way in the more recent weeks.

We attribute this to a few things. First, Sprout has a very diverse customer base across segments and verticals with balanced exposure by market segment and industries. This has helped minimize the impact of the crisis on our business. Next, we were able to transition to work-from-home quickly, getting back to virtually full operational capacity within about a week. The majority of our new business implementation and account management has always been done virtually. So the adjustments to our customer-facing activities were minimal.

We also benefit from a high-volume inbound funnel and rapid sales cycles that give us granular visibility into key metrics at a daily level. This has helped us quickly adapt and apply resources where they are most impactful.

Lastly, the increased importance of social, both as a communication channel and an alternative to advertising, have led to strong engagement across industries, even some you would expect to be retreating. In fact, we closed our largest ever new business contract at the end of February and one of our largest expansion deals in April in the travel industry.

While we have a lot to be encouraged by, and we continue to invest in the growth of our business, we also believe it is important to address both the gravity of the global situation and the uncertainty that will remain for some time. We are operating from a conservative position, and we'll lean back into an aggressive posture as we see indicators that it's wise to do so. Fortunately, as I mentioned, we operate with high visibility of our key metrics, so we feel well equipped to adjust our posture quickly as needed. If we continue to execute on our strategy, we believe we'll be positioned to capture disproportionate market share and accelerate out of this turn.

This visibility has also allowed us to be responsive to our customers and their evolving needs during this crisis. Understanding which of our customers have been most impacted has allowed us to devote resources to their well-being and success to develop joint efforts with our network partners for COVID relief, facilitate peer discussions among our customers and develop resources to help them navigate this situation. Internally, this visibility has allowed us to quickly shift resources to react to customers and verticals where we've seen demand increase, particularly in the enterprise segment, where we see increased engagement and our competitive advantages have become increasingly compelling as customers grow averse to long sales cycles, expensive and lengthy implementations and services-heavy platforms.

While this is an incredibly difficult time globally, we feel fortunate to have a team that has adapted well, the ability to adjust quickly and the flexibility to keep our teams healthy and be there for our customers.

Now I'll spend a few minutes going over our first quarter performance as well as provide some color on how we're thinking about Q2 and the rest of the year. We had an excellent first quarter with strong momentum across the entire business. Our total revenue for the first quarter was up 31% year-over-year to \$30.5 million, and organic revenue grew 41% year-over-year. We exited Q1 with an ARR of \$124.6 million, up 30% year-over-year, and organic ARR of \$123.1 million was up 39% year-over-year.

As a quick reminder, organic revenue and organic ARR exclude revenue from the 2017 acquisition of Simply Measured, and organic revenue now accounts for 99% of our total.

We saw acceleration in our performance relative to Q4 across virtually every metric. The investments we're making, strong demand and increased efficiencies led to remarkable performance across the board despite heavy headwinds in March. We also introduced dozens of new product capabilities for our customers in Q1, and we're recognized by G2 and TrustRadius in their Annual Software Awards, winning in 9 separate categories, including the top product, best software company and highest customer satisfaction. This is especially rewarding for us because this recognition is based on thousands of customer reviews.

Looking forward to Q2, we expect another relatively strong quarter, as Joe will share in more detail shortly. As we think about guidance for Q2 and the rest of the year, we wanted to provide some additional transparency in how we're modeling projections to help you with your own assumptions.

As I mentioned, we saw distinct compression in many of our key metrics beginning in mid-March. New business demand and churn all fell below our typical range, with churn specifically dropping below 1 standard deviation from our norms, measured against the 90-day period pre-COVID. Fortunately, we've seen those metrics return within the expected ranges with some exceeding prior ranges on the demand side beginning the week of April 6.

Some volatility remains, but we have good visibility and remain optimistic that we took the brunt of the impact during that 3-week period. We would expect those declines to flow through our typical sales cycle of 35 to 45 days with the bulk of new business impact seen in April and May.

More specifically, we saw demand in the form of trials and demo requests, which are our primary sources of pipeline, fall below our normal ranges from March 16 to March 26. Beginning the week of April 6, demand recovered and has been above pre-COVID ranges each week since. While it's harder to quantify the quality of demand during this period, at this time, we feel good about the recovery and customer interest.

Contraction, which is a combination of gross churn and downgrades, fell below our norms from March 23 to April 6. Beginning the week of April 6, those levels came back within our normal ranges for the remainder of April.

Expansions saw a slightly longer rate of compression but has remained within our 90-day pre-COVID norm ranges in the month of April with a steady recovery trend. And finally, new business has remained within our pre-COVID ranges throughout this period with the exception of the week of April 6 where it fell below those levels briefly.

While we're seeing positive indicators in the data, we feel it's appropriate to remain prudent with our guidance as there are still many unknowns related to COVID, including the speed of economic recovery, stimulus delivery, prolonged business disruption or future waves of the virus. The low end of our guidance assumes that we see no improvement to our business relative to what we saw in March and April for the remainder of the year. The midpoint and the high end of our range reflect marginal improvements to the business, consistent with the trends we've seen during April, the variation based on how quickly those trends stabilize.

Before I pass the call off to Ryan, I want to wrap up by saying that I'm extremely proud of our team, our ability to adapt and the execution we've seen over the past few months. Our platform has been as critical as ever for our customers during this time, and we expect this expanded reliance on social channels to continue post-COVID. We've seen our efficiency remain steady through this transition and continue to deliver value and new capabilities to our customers at our usual rapid pace. We believe our focus on world-class products and our deep commitment to our people and our customers keep us well positioned to capture market share in this large, expanding and increasingly important category.

And with that, I'd now like to turn the call over to our Senior Vice President of Global Sales, Ryan Barretto, who will walk you through some of our customer success stories from this quarter.

Ryan Paul Barretto

Senior Vice President of Global Sales

Thanks, Justyn, and thanks again to everyone for joining us.

I've been really proud to see how our team has responded in this environment. We've led with empathy, and in the process, put many of the Sprout values on display. I'd like to take a few minutes to discuss some of our key customer wins this quarter and share some of the exciting ways our customers are leveraging the platform.

Our value proposition is resonating, and we're really excited by what we see ahead. It's clear that we're living in challenging times, and social has become an even more important part of the way we communicate. We're seeing this in our data. In the last 4 weeks, our traffic was up 24%, and our trials were up 14% in comparison to our Q1 pre-COVID baseline. Every business has been impacted in some way and is now getting a crash course in digital-first communication. Our customers are doing amazing things with the platform, and we've been fortunate to be an essential partner for them.

It's been remarkable to see how our marketing, sales and customer success organizations from leaders to individual contributors have responded to this crisis. As Justyn mentioned, the transition of work from home was more seamless than we could have predicted. We're seeing impressive things from our teams. This is included building a crisis communication playbook for social media managers, creating a COVID-19 social listening report, which we gave to every listening customer at no extra charge, seeing our daily sales activity metrics at historic levels, both in terms of speed and volume, and we are hosting our largest ever digital event on May 13 with over 5,000 practitioners registered and brands like Trek, Twitter, CB2 and [Slab] joining us to copresent.

In this market, customers are looking for partners that can respond fast with solutions that can add immediate value. The 30-day free trial continues to be our secret weapon even in the enterprise. The legacy software playbook that required on-site custom demos, long evaluations, and even longer and expensive deployments has become antiquated. We're in the age of the user, and companies expect to be able to not just see, but to use the technology before they invest. And that's where we mean it. Our free trial model has been highly disruptive, enabling customers to implement Sprout before they even see one of our competitors' demos.

The Ohio State University, HubSpot, Earl Enterprises, Harrods, Blue Nile, Alterra Mountain, Kendra Scott, Boston Scientific and Edelman were just a few of the incredible brands that invested in Sprout this past quarter. Ohio State ran a very competitive RFP with the goal of selecting one provider for all of their schools, departments and hundreds of social media accounts. With the deployment of this size, they were laser-focused on finding a partner that could deliver the usability, security and functionality required by all of their stakeholders, and most importantly, had a track record of implementing quickly and successfully. They found all of that in Sprout, and I'm pleased to say that they already started rolling out to their schools.

Another great story came from one of the largest and oldest retailers in North America. During a time like this, connecting with their customers on digital was paramount. They are struggling with the usability and reporting of their previous enterprise software vendor, and we're looking for an all-in-one solution with better user adoption and reliable support. Thanks to our trial model, Sprout got this retailer up and running during their evaluation, giving them the confidence they needed to sunset the legacy vendor.

We are also seeing customers use social in creative and resourceful ways to continue driving their businesses forward. One of my favorite stories was learning more about how Trek bikes are leveraging Sprout. With shelter in place, many parents have found themselves looking for new ways to keep kids busy and offer their devices. I know this very well. In response to this demand, Trek is using Sprout to market their free home delivery service and to engage and measure their campaign efforts. Every business needs to be faster to create and respond to demand, and Trek is a perfect example of a brand that is doing this well.

Another great story is from Mount Sinai Health System in New York, an amazing organization and one that is truly on the front lines. Mount Sinai has been leveraging the Sprout platform to tap into social and web conversations, analyze past content performance and plan future content across the major networks. Their content has included touching stories about their staff and sharing appreciation for the NYC businesses supporting them. In turn, this content has been reshared by celebrities like Jonah Hill and Ellen. It's an incredible example of the amplifying power of social media.

In summary, it's been a rewarding time to be leading at Sprout. Our people have risen to the challenge and are operating at new levels. And most importantly, we're taking fantastic care of our customers. Our virtual stand-ups, scavenger hunts and Sprout's own version of MTV Cribs, have served to bring our people closer than ever. This culture extends to our customers who feel the overwhelming daily support and know that we have put them first. I look forward to being able to share more of these stories with all of you in the future.

And with that, I'll turn it over to Joe to run through the financials. Joe?

Joseph M. Del Preto
CFO & Treasurer

Thanks, Ryan. I'll now walk you through our first quarter results in detail. We're moving on to guidance for the second quarter and full year 2020.

We are pleased with this quarter's strong results. As Justyn noted, total revenue for the first quarter was \$30.5 million, representing 31% year-over-year growth. Excluding the impact from legacy Simply Measured products, our organic revenue was up 41% year-over-year. This growth was driven by increased demand from both new and existing customers and strong sales execution. We've maintained a strong financial profile with high margins and 99% recurring subscription revenue.

Total ARR in Q1 was \$124.6 million, up 30% year-over-year. Organic ARR was \$123.1 million, up 39% year-over-year. We had 390 net new customers in Q1 to finish the quarter with 24,083 customers. The number of customers contributing more than \$10,000 in ARR reached 2,404, up 58% from a year ago and up from 2,185 in Q4 2019. We continue to add value to existing customers and land increasingly large initial deal sizes with newer customers as we focus on high-quality customer lead generation.

In discussing the remainder of the income statement, please note that unless otherwise noted, all references to our expenses, operating results and share count on a non-GAAP basis are reconciled to our GAAP results in the earnings press release that was just issued before the call.

In Q1, gross profit was \$22.6 million, representing a gross margin of 74%, [compared to a] margin of 75% a year ago and 72.5% last quarter.

Turning now to operating expenses. As Justyn touched on, we have granular daily visibility into our key metrics, which will inform our investment decisions both through this crisis and over the long term. With very short sales cycles, we feel well equipped to adjust our posture quickly and as needed.

Sales and marketing expenses for Q1 were \$13.4 million or 44% of revenue, down from 45% a year ago. We made significant investments in sales and marketing throughout 2019 focused on expanding our market reach. We expect to continue to make smart investments, and we'll focus on optimizing our sales and marketing spend. We finished our Q1 hiring on track with our expectations, and we'll continue to look for opportunities to invest through the lens of the current visibility we have into our business environment. Our teams are adapting to remote onboarding, and we feel fortunate that we are in the financial and business position to take advantage of hiring amazing people through this period of time.

Research and development expenses for Q1 were \$6.8 million or 22% of revenue, down from 27% a year ago. We're able to drive leverage in this area due to our approach to building software and our single code base while continuing to expand our offering and adding new capabilities for our customers.

General and administrative expenses for Q1 were \$9.8 million or 32% of revenue, up from 26% a year ago. This growth was primarily a function of public company expenses, which we did not have in Q1

2019, and expansion of our annual corporate training. We expect general and administrative expenses to decrease as a percentage of revenue as we continue to scale our operations over time.

Non-GAAP operating loss for Q1 was \$7.4 million or a negative 24% operating margin. This compares with a negative 23% operating margin a year ago. We did, however, outperform our expectations due to high incremental leverage from revenue outperformance. Non-GAAP net loss for Q1 was \$6.96 million or a net loss of \$0.14 per share compared to a net loss of \$5.2 million a year ago.

Turning to the balance sheet and cash flow statement. We ended Q1 with \$137.4 million in cash and cash equivalents, up from \$135.3 million from the end of 2019. During Q1, we executed the greenshoe following our December IPO, resulting in net cash flow proceeds of \$10.0 million. Deferred revenue at the end of the quarter was \$34.1 million.

Looking at with our billed and unbilled contracts, our remaining performance obligations, or RPO, totaled approximately \$47.5 million, up from \$42.1 million exiting 2019. We expect to recognize approximately 88% or \$41.8 million of total RPO as revenue over the next 12 months.

Operating cash flow in Q1 was negative \$4.5 million compared to negative \$3.9 million a year ago. Free cash flow was a negative \$4.8 million in Q1 or negative 16% free cash flow margin compared to negative \$4.0 million and a negative 17% free cash flow margin a year ago.

Moving on to guidance. For the second quarter of fiscal 2020, we expect total revenue in the range of \$31.1 million to \$31.2 million or a growth rate of roughly 26%. We expect our organic growth rate to be mid- to high single-digit percentage points faster than our total reported growth rate. We expect non-GAAP operating loss in the range of \$8 million to \$7 million. As Justyn discussed, we are continuing to invest in our products and our people in support of our long-term growth.

In certain segments, we see opportunity to increasingly leverage our competitive advantage. But to be clear, we are tracking our business on a daily basis to ensure we are optimizing our pace of overall investment.

Historically, our free cash flow margins have been a couple hundred basis points better than our operating margin, or we are building relationships for the long term, and we're working with customers that have been adversely impacted by this crisis on flexible billing and payment term. As a result, we would expect Q2 free cash flow margin to be roughly similar to our operating margin. To the extent that crisis persists, this dynamic could persist into Q3.

We expect non-GAAP net loss per share between \$0.15 and \$0.14, assuming approximately 50.5 million shares. For the full year of fiscal 2020, we expect total revenue in the range of \$125.5 million to \$130.5 million. This compares with our pre-COVID guidance range of \$131.7 million to \$133.7 million. At the midpoint, this is an expected overall reported growth rate of 25%. We continue to anticipate that our organic revenue growth rate will be higher than our reported revenue growth rate by mid- to high single digit, implying a 2020 organic growth rate of greater than 30%. We believe this forecast captures many unknowns, including prevailing environment, which is adversely impacting many of our customers, potential for future disruption from the virus and certain path of broader economic recovery.

As Justyn referenced, we have seen many business indicators stabilize through the course of April. The low end of our 2020 guidance range assumes that we see no improvement to our business relative to what we saw in March and April for the remainder of the year. The midpoint and high end of our range reflects margin improvements to our business, consistent with the trends we've seen during April, the variation based on how quickly those trends materialize.

For 2020, we expect non-GAAP operating loss in the range of \$28.3 million to \$25.3 million compared with our pre-COVID range of \$29.3 million to \$25.3 million. We expect a non-GAAP net loss per share of between \$0.55 and \$0.50 compared with a prior range of \$0.57 and \$0.50, assuming approximately 50.6 million shares.

In summary, and as Justyn and Ryan have discussed, the durability of our mission-critical platform is resonating as global customers accelerate their transition to digital-first businesses. The opportunity

to help customers manage the increasingly relevant social channel continues to present compelling opportunities for sustainable growth. Our strong balance sheet and prudently managed cash flow give us a high degree of confidence to continue to make balanced and high ROI investments that will enable us to capitalize on our potential in the years ahead.

With that, Justyn, Ryan and I are happy to take any of your questions. Operator?

Question and Answer

Operator

[Operator Instructions] I show our first question comes from Stan Zlotsky from Morgan Stanley.

Stan Zlotsky

Morgan Stanley, Research Division

Perfect. And I'm glad to hear that everybody on the call is doing well, and the company is also doing well as far as health and safety. First question from my end, what gives you confidence to provide guidance? And why provide guidance for full year revenue considering that so many other companies have pulled guidance? What are you seeing out there that's really giving you that confidence? And then I have a quick follow-up.

Justyn Russell Howard

CEO, President & Director

Yes. This is Justyn. Thanks, Stan. I'll address that. And certainly, if my team has anything to add. But when we thought about what the remainder of the year looks like for us and what Q2 looks like for us, a lot of that confidence came from, as we mentioned in the remarks, our ability to look at very detailed and granular data for the business. So given the thousands of trials that we're adding to the top of the funnel in any given month, tens of thousands of renewals and transactions that we're doing, gave us a lot of insight into how those metrics were trending, which periods of time they were impacted for and the degree of recovery.

I think while certainly there's a lot of unknown still that remain for the rest of the year, the assumptions that we're making and where we felt good about putting the baseline of the guidance was around the kind of extrapolating out the worst of what we've seen in March and April, which is counter to the trends that we've seen more recently, which is -- are much healthier. And that gave us the confidence that we needed at least to put a stake in the ground at the low end of the guidance while we gather more data on how quickly or how much those trends that we've seen improve in the last several weeks, what the level of stability is around those. And so part of this is the high volume kind of lower ACV nature of our business where we've just got a lot of predictability. We've got 99% recurring revenue, subscription revenue, low services.

We've been virtual for a long time. And we've got that level of detail on our data on top of a 35- to 45-day average sales cycle has allowed us to see how a lot of this impact plays out in the time that we've kind of been in the situation. So we felt like we've got strong visibility into at least the band that we provided. Where it falls within that is we're going to look to data to clarify that for ourselves. But the guidance that we gave is something that we're really confident in because of the reasons that I mentioned.

Stan Zlotsky

Morgan Stanley, Research Division

Perfect. I think that looked -- that certainly makes a lot of sense. And I certainly applaud you for putting out that guidance to really help set levels at the investors' expectations considering the confidence that you have in data. Maybe just a very qualitative question. In as much as you're starting to -- you started to see improvements in April, what are you seeing specifically around brand-new business activity in April? What's really bringing customers to pull the trigger on buying Sprout Social software in the current environment? And why do it now rather than it would be so easy to say, hey, let's kick the can down the road 6 months and figure it out later?

Ryan Paul Barretto

Senior Vice President of Global Sales

Thanks, Stan. This is Ryan. Happy to jump in and answer that. I think it's really twofold in terms of what we're seeing and in terms of our customer base. One, we've got this advantage where, as Justyn

mentioned before, highly data-driven. We're seeing good traffic in inbound trials in. And the themes with those customers are either, a, they've needed to really start to prioritize social more than they were before, and they need a platform today because digital and, specifically, social has become the most important channel to market, to communicate, to support their customers.

So it's one of those things where they just need to get there and do it today, and they weren't doing it effectively before or they were on a platform that wasn't working really well. And for those customers, these challenges could certainly be amplified at this time, right? You've got more traffic coming in through social channels. You've got more of a need to engage. And if the platform that you have right now isn't easy to use, you're not getting the data that you need from the analytics portion of that platform, that would cause you to raise your hand and seek help.

The secondary point for us there is that with our free trial model, we're able to get all these customers, including the enterprise customers, into the trial and actually using the platform. So they're proving for themselves that it's going to work exactly the way they need it to on a go forward. And so that's certainly been a big helping hand for us in engaging customers and getting them through the buying process.

Operator

Our next question comes from Chris Merwin from Goldman Sachs.

Kevin Kumar

Goldman Sachs Group Inc., Research Division

This is Kevin on for Chris. Maybe can you talk about adoption trends for some of your add-on products like listening, premium analytics and reputation and maybe what you're seeing across mid-market and the enterprise and if you've seen kind of a recovery in adoption trends in recent weeks?

Ryan Paul Barretto

Senior Vice President of Global Sales

Yes. Thanks, Kevin. This is Ryan. Happy to jump in there. Both of those products -- both the listening and the analytics products are performing really well. Listening ARR grew nicely in Q1. And in fact, premium analytics to this point is tracking ahead of listening from an ARR perspective after a similar period of time in the market. The value proposition is definitely resonating, and we're feeling really good about the ROI that both products are providing to customers.

And part of this is just we know that people are engaging on social media in a very different way. It's changing in terms of the engagement that they have and the types of messaging that is resonating with them. And having access to the social data through listening and analytics is providing these brands, these customers with critical insights that can help them shape their content, their promotions, their competitive positioning and even their product development. And they get this rich information from both our analytics and listening products in a way that they can take action. So that's definitely been resonating in the marketplace.

And the final thing I would just say there is both of these products need to live alongside of the rest of your core platform, and that's what they get in Sprout. They get the listening and analytics alongside of the publishing and engagement, and that's been a pretty big differentiator for us. So really good progress within Q1 and continuing to see a lot of value from those products.

Operator

Our next question comes from Tom Roderick from Stifel.

Thomas Michael Roderick

Stifel, Nicolaus & Company, Incorporated, Research Division

I guess I'd love to hear sort of anecdotally a little bit more about this -- what sounded like a pretty large travel deal that was signed in April. Maybe you can provide some anecdotes behind the customers' urgency in getting that done, but particularly in light of their end industry. Can you just share some

dynamics about sort of what pushed them over the edge and how real time they're looking to engage the social channel in a world in which they may not be able to touch their customers in a traditional manner?

Ryan Paul Barretto

Senior Vice President of Global Sales

Yes. Tom, this is Ryan. Happy to jump in. That is a great example, and Justyn alluded to previously in the script as well. We've seen it in travel. We've seen it in restaurant. We've seen it in hospitality. A lot of these organizations, which you would think are not spending, noninvesting in this area absolutely are because they still have a need to ensure that they're engaging their communities and their customer base and now more than ever, right? If they are going to get out of this on the other side and be thriving in this market, then lean into digital channels, specifically in social. And so this organization that Justyn alluded to, a perfect example right now that is needing to stay closer to their customer base. There, as you might imagine, from a customer care perspective, have an influx of customers reaching out to them to talk about things like credits and rebooking and to just generally understand where their business is and how to be supporting customers in the future, what travel will look like in the future.

And then on top of that, from a -- just a marketing perspective as well, it's really important, even while these brands can't necessarily have as many customers or any customers traveling right now, the ability to stay in touch with them and keep that brand front and center within the consumer's mind is critical. So certainly, in that market and travel, we've seen it and some of the other ones that have pilot as well that get the same dynamics behind them.

Thomas Michael Roderick

Stifel, Nicolaus & Company, Incorporated, Research Division

Outstanding. That's really helpful. Justyn, this one might be for you, but I'll let any of you handle it. Don't want to take it. But it certainly sounded like you were kind of ahead of the curve in moving your employee base to work-from-home environment, and I think the low-touch model historically is something you were already adept with. So I guess now that we're starting to say, hey, things are turning back up a little bit -- how soon they get there is a question mark, right? But as you think about turning the world back on and trying to get employees back into the office, can you share with us some of your thoughts about how and when you'd like to see that happen? And is there any urgency given that you seem pretty comfortable with the sort of low-touch sales model in the manner in which your employees are working virtually quite well?

Justyn Russell Howard

CEO, President & Director

Yes. Happy to speak to that. I think there's a lot of conversation, as you can imagine, going on around what return to normalcy looks like. I think the key things for us, we were early adopters in the sense of we moved to work from home pretty quickly relative to most organizations. And I would say that you would expect us or you can expect us to be a late adopter in terms of going back. We certainly want to make our offices available to those who are struggling to work remotely, either due to living conditions or child care, whatever it might be. It's going to be a different situation for everyone, and we want to make sure that, that's possible when needed, when it's safe and when it's feasible to do so.

But to your point, we're seeing productivity across the organization as high or higher in some cases than it's ever been. And that gives us a lot of flexibility in making sure that we're being really thoughtful about what that return looks like, that we don't have the pressure, our sales cycle, our customer support, our success, even our deployments have been remote, all these, so it's not something where we need to be trying to balance between the health and safety of the team and our families versus the productivity of the organization because the productivity is there and it's been an outstanding and something that we're really proud of. So we're going to be thoughtful. We're not in a hurry, as you said, and we're going to be really making sure that we're prioritizing the team and the families as we think about what that looks like.

Operator

Our next question comes from Arjun Bhatia from William Blair.

Arjun Rohit Bhatia

William Blair & Company L.L.C., Research Division

First one is probably for Ryan. I know we talked about kind of the flexibility in the go-to-market notion and how you can adapt based on the data that's coming in. Before the pandemic kind of hit, I know Sprout Social was kind of pivoting a little bit to focus more on expansions and a little bit more on larger customers. Would just be curious to hear how that trend is changing, whether it's accelerating or you're focusing more on high-volume transactions now. Could you maybe just walk us through those dynamics here in this -- in the coronavirus era now?

Ryan Paul Barretto

Senior Vice President of Global Sales

Yes. Arjun, happy to jump in and cover both of those things. Both the expansion and the enterprise segment continue to be areas of strength for us and areas of focus. From an expansion standpoint, and Justyn discussed this a little bit in the script, we've seen healthy growth from our customer base. It's been aligned with what we would expect from our customers and didn't face the same level of compression that you might see in other areas within NDRR. So that motion for us continues to be a strong one. Certainly, tied to the success of products like listening and analytics that are adding a ton of value to customers today. So on the expansion side, feeling very strongly there.

On top of that, on the enterprise side, seeing some opportunities for acceleration and the opportunity to grow our market share. The challenges highlighted in the past with the long deployments, the expensive deployments, challenging adoption due to user interface and difficulties within implementations is becoming a pretty big challenge for a lot of enterprise companies. And certainly, at this time, when social is more important than ever, they need to be able to deliver within that channel.

And so in leading with those trials that we are, and we're getting these enterprise customers in the platform, they're able to start publishing through Sprout. They're engaging with their customers. They're using our analytics and proving to themselves that the platform works. And so we've seen really nice progress from that enterprise team as we ended Q1 and going into Q2 with these accounts where they need access to Sprout, and we have the ability to get them up and running really quickly, which removes a lot of the burden of making a change, especially when you've implemented a good portion of Sprout within the trial.

Justyn Russell Howard

CEO, President & Director

This is Justyn. I'll add something quickly there. Yes. Sorry, if you don't mind, I'll just add a couple of things. I think one of the other benefits of not only the team, but the agility that we have in our model is that we've been able to realign resources internally to kind of match what we're seeing in the market. And that's true both from a customer success perspective where we're able to align resources around those that may be struggling more than others and make sure that they have the help that they need, but also on the new business side and the growth side where we're able to realign the team and the folks on our team around the areas where we're seeing the most demand.

And I think to that extent, being able to pick up on the signals that we've seen from the enterprise and even the mid-market and align resources around what we think is a heightened opportunity in that space may act or has acted certainly in a catalyst for how we're thinking about resources internally, but may also act as an accelerator to the point that you mentioned. I think we're still seeing success across all markets. They're all incredibly -- all of our segments are incredibly important to us. But when a shift like this happens, our ability to react to that, use the data to say, hey, this is where we need to be pointing our people and our time, whether it's to support them or because that's where the demand is, I think it's been really, really valuable for us.

Arjun Rohit Bhatia

William Blair & Company L.L.C., Research Division

Perfect. And a quick follow-up, if I can, on listening specifically, Ryan, it sounded like the -- you mentioned that the current demand environment is still strong. But if I think about the pipeline, I know these deals have generally taken longer than kind of the core product, and it's a little bit more of an involved sale. Are you seeing customers when they talk about maybe deploying this now or in the future that they're saying, maybe I want to pause -- put a pause on deploying listening? Or are those deals progressing as you would usually expect despite kind of the macro uncertainty that's there in the environment?

Ryan Paul Barretto

Senior Vice President of Global Sales

Yes. Arjun, good question. In the mid-market and enterprise space, we're still seeing good acceleration on those listening deals. Majority of the time, they are acquiring those products with the rest of the core platform. They see it as part and parcel of the entire solution that they need. And we're certainly leading with that as the main value prop in that unified platform. In the SMB market, in the agency market where they may not be as familiar with listening, and that may not be the reason that they showed up within our pipeline, those deals are certainly harder to close within the environment today. They're looking to keep for the bare essentials. I see those as good seed-and-grow opportunities, but those have had more challenge compared to the mid-market enterprise.

Arjun Rohit Bhatia

William Blair & Company L.L.C., Research Division

Great. And congrats on a good quarter.

Operator

Our next question comes from David Hynes from Canaccord.

David E. Hynes

Canaccord Genuity Corp., Research Division

So one for Ryan. It may be too early to ask this, but I'm going to try anyway because I'd like to hear your thinking. So we're 30 days past the April 6 recovery rig, which, I guess, puts you kind of at the low end of a typical sales cycle. So I'm curious what you're seeing in terms of conversion on demos and trials, right? I think there's this thesis out there that is probably never been easier to get a prospect on the phone or signed up for a demo or a trial. So I'm just curious kind of what -- are there any data points that give you confidence that conversion rates on all the activity that you've seen snapback could actually look like normal?

Ryan Paul Barretto

Senior Vice President of Global Sales

Yes. Thanks, David. Happy to jump in there. We -- I think we still have a few more weeks to go to get the full picture of when the trough look like from COVID. But what I will tell you is we are seeing really good success in the engagement from our teams today. It's certainly taking more activity than it did before to get customers to the same point. But they're in the trial. We're seeing good progress in the way that they're using the platform. We're seeing good progress in the amount of demos that we've been having across the board in every segment and seeing good deals closing along the way as well.

We're paying very close attention on a daily basis to things like the conversion rate and what we call the revenue per subscriber, so just the number of subscriptions that are getting done within the market just so that we know how these are comparing to our baselines. But good progress there just in terms of the amount of engagement we have with customers and just even the number of deals that we're getting done at this point and deals with those premium add-ons.

David E. Hynes

Canaccord Genuity Corp., Research Division

Yes. Okay. That's helpful color. I know it was a hard one to answer since we're still relatively early into this. And then maybe one for Justyn or Joe. I assume the answer to this is no based on what you've

said, but anything you're seeing that changes your thinking in terms of time line to profitability for the business?

Justyn Russell Howard
CEO, President & Director

Yes. From my perspective -- and Joe, please chime in. But my perspective is that there's some counterbalancing things that are happening in the business, as you can see both from the performance as well as our projections. I think the net impact is that we're not thinking about that time line of profitability differently at this point.

Operator

[Operator Instructions] Our next question comes from Alex Kurtz from KeyBanc Capital Market.

Alexander Kurtz
KeyBanc Capital Markets Inc., Research Division

And good to hear that everyone's safe and healthy at Sprout. Just a clarification for Joe, then kind of more of a demand question for the rest of the team. Just where G&A should trend -- I think you may have mentioned kind of the linearity in G&A. So just if you could go back to that, I'd appreciate it.

And then for the broader question, you guys had a blog post a week or 2 ago that kind of outlined kind of demand trends by vertical. And maybe using that as a reference point, talk about maybe where you're seeing some challenges and where you're seeing some upside and then also strike that across like SMB versus like larger accounts. So those are the 2 core questions here.

Joseph M. Del Preto
CFO & Treasurer

Yes. I'll take the G&A question first, Alex. On the G&A side for the quarter, the spike you saw was for a couple of reasons. One was the -- it was our first quarter public company expenses that we didn't have in Q1 of '19 and then our increase in our annual kind of training in the quarter. But if you look out, the way I kind of look at it is you can expect it to fall back down into the low to mid-20% range of revenue on a go-forward basis.

Alexander Kurtz
KeyBanc Capital Markets Inc., Research Division

Got it. And maybe a quick clarifying question on the second half of that. You mentioned kind of the blog post and what we're seeing. It sounds like you're looking for commentary around what we're seeing both from a vertical as well as kind of a segment basis, just where we're seeing folks that are doing well versus not as well, et cetera. Is that kind of just of the question?

Justyn Russell Howard
CEO, President & Director

Yes. Exactly. So when we look at the changes in the guidance and just how you're thinking about, yes, just a little bit more context and who's outperforming and underperforming.

Alexander Kurtz
KeyBanc Capital Markets Inc., Research Division

Cool. I'm going to put Ryan back on the spot then.

Ryan Paul Barretto
Senior Vice President of Global Sales

Yes. Happy to answer that, Alex. In terms of where we've seen a lot of success on the vertical side and continued demand, in places like government, higher education, gaming, tax, have all been really strong. We've seen really good inbound demand from all those organizations, good acceleration on deals. In terms of compression or pressure, certainly have seen that in a good portion of the SMB market. And then in

parts of the agency market, mostly in the small side of agency, those are probably in the areas where the impacts mostly being felt. In terms of opportunity and growth, we traditionally had good strength from the mid-market and enterprise, and that's continued to be the case. All are growing, but the mid-market enterprise continue to kind of lead the pace for us.

Operator

I show no further questions in the queue. At this time, I'd like to turn the call over to Mr. Justyn Howard, CEO and Co-Founder, for closing remarks.

Justyn Russell Howard
CEO, President & Director

Great. Thanks. Okay. So thank you all for spending some time with us. We look forward to spending more time with you in the coming months. We'll be spending some time with investors virtually. We'll be attending the Stifel Cross Sector Insight as well as the William Blair Growth Virtual Conferences in early June and have other opportunities, and we look forward to that time with all of you.

In closing, I just want to, again, thank our employees, our customers and our partners for their hard work and support and for helping close the terrific quarter. More importantly, we're grateful for the hard work and agility on everyone's part to adapt quickly to the situation that we're all facing together and making sure that our team and customers are well supported.

And on behalf of the entire team, we also want to thank the frontline and health care workers who are helping keep everything running. So thanks again. We'll look forward to talking to you soon. I appreciate your time today.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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